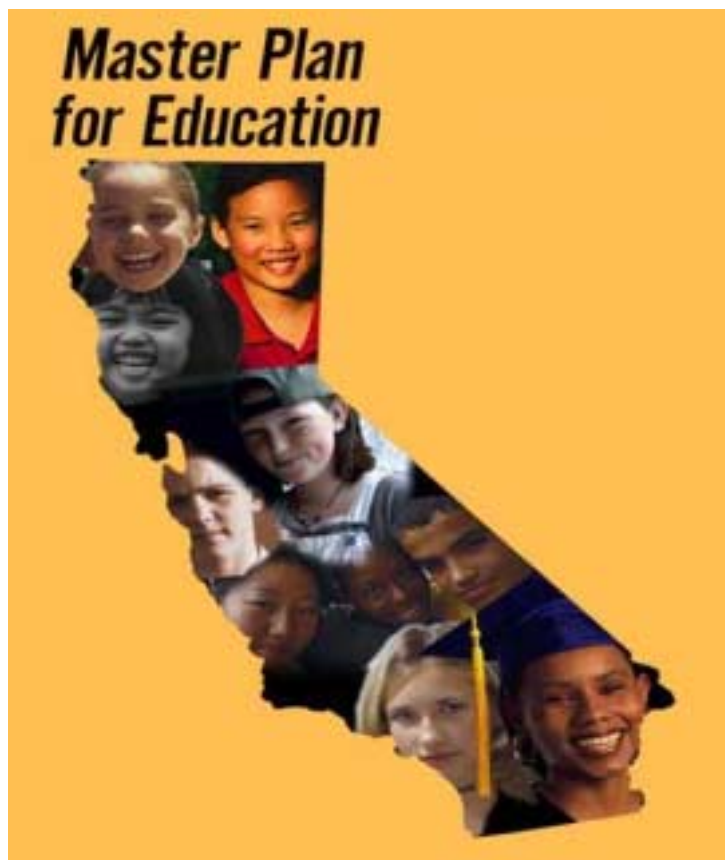


Joint Committee to Develop a Master
Plan for Education - Kindergarten
through University

Finance & Facilities
Working Group -
Postsecondary Education
Final Report



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activities of
the Finance &
Facilities
Working Group

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February 2002



Foundation for Educational Achievement

Committed to People Seeking Modern Skills and Knowledge

William Pickens, President/CEO

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San Diego, California 92123

February 28, 2002

The Honorable Deirdre Alpert, Chair
Joint Committee to Develop a Master Plan
for Education – Kindergarten through University

Dear Senator Alpert:

On behalf of the Joint Committee's Postsecondary Education Subgroup of the Finance and Facilities Working Group, I am pleased to submit the following report. Our group met nine times in order to identify and evaluate the most consequential state policies for financing California's postsecondary sector, both public and private. We agreed to gather the best research studies as the basis for our discussions, address the most difficult issues in finance policy, and recommend a long-term framework.

We began with the firm conviction that the success of higher education is essential to California's future. For individuals, colleges and universities increase employability and the quality of life. For society, higher education helps foster an educated citizenry, people broadly literate and well capable of exercising public responsibilities. For the economy, higher education is increasingly central to our competitive edge in worldwide markets through research to develop new products and education/training designed to fill our labor force with graduates who are knowledgeable and skilled.

We also recognize and strongly support higher education's role in promoting equal opportunity by opening paths for those individuals disadvantaged by poverty, racism or social circumstance who seek knowledge and credentials. Finally, our work recognizes the inseparable link between higher education and K-12. It is essential that colleges and universities supply well-trained teachers, signal clearly the kinds of educational preparation necessary to continue, and use research for educational reform at every level.

We agree with the Joint Committee's staff that "California owes much of its success to the unwavering priority that has been given to encouraging the educational attainment of its people and to a commitment to ensuring that ample access is provided" to high quality programs. Our work is dedicated to ensuring that the financial resources are available to continue this priority on access and quality.

Respectfully submitted,

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Finance and Facilities Working Group Postsecondary Education Report

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Working Group Members, Participants and Presenters

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EXECUTIVE SUMMARY

California has an extensive set of postsecondary institutions that offer a vast array of activities. Within that array, state appropriations constitute the core funding for each public segment of higher education and a large portion of financial aid available to students in private institutions. The state government also controls directly, or strongly influences, the level of student charges in public institutions.

Because of this role, it is important that the state's approach to finance be tied directly to clear policy goals that meet the needs of students, serve the interests of the institutions, respond to the workforce needs of business, and fulfill the fiduciary responsibilities of state government to the taxpayers. The working group was guided by the following goals:

Access
Affordability
Choice
Quality
Efficiency
Cooperation
Accountability
Shared Responsibility

Three challenges pose the most serious threats to California's ability to meet these goals: (a) large, current unmet needs in the operations and facilities budgets of higher education, (b) a strong growth in enrollment demand, and (c) the lack of a long-term, comprehensive, and realistic approach to state finance of higher education,

To help achieve the goals and meet these challenges, the working group recommends that the Legislature and Governor take these actions:

Recommendation 1: Adopt policies to provide more stability for finance and dampen the "Boom and Bust" swings of state appropriations for higher education, by (1) committing to annually fund "core" needs and enrollment growth, (2) adopting a consistent and rational student fee policy, and (3) restoring community colleges historic share of the Proposition 98 guarantee.

Recommendation 2: Improve the state's accountability framework by modifying and expanding the "partnership" budget approach, currently applied to UC and CSU, to (1) include all higher education, (2) clarify the link between performance and funding, and (3) adopt realistic alternatives for times of revenue downturns.

Recommendation 3: Change the way state government funds electronic technology to provide more access and choice for students.

Recommendation 4: Reform the state's approach to student charges in the public segments and maintain the Cal Grant need-based financial aid entitlement.

Recommendation 5: Review the state's methodology for determining and funding facilities in California higher education, and, as appropriate for each segment, make changes to emphasize, comprehensive space planning, multiple use facilities, sharing of space among institutions, and incentives to maximize other sources of capital outlay.

“Using Finance to Meet State Goals in the Master Plan for Education”

A Report of the Postsecondary Education Subgroup of the Finance and Facilities Working Group of the

Joint Legislative Committee to Develop a Master Plan for Higher Education - Kindergarten through University

Overview

The charge of our working group was to identify and evaluate the most consequential state policies for financing the current operations and facilities within California’s postsecondary sector, both public and private.

From the beginning, the group agreed that its role was to concentrate the expertise of its members on those issues of most importance to the Joint Committee and state government, and to perform high quality analysis.¹ We agreed to gather the best research studies as basis for our discussions, address the most difficult issues in finance policy, and recommend a long-term framework rather than just quick fixes. We chose to compile a short paper with the highlights of our ideas, letting the extensive minutes of our meetings,² appendices, and references to other documents serve as means for elaboration.

The group also understood that its contribution should be congruent with the mission and orientation of its creator, the Joint Committee to Develop a Master Plan for Education – Kindergarten through University. That Committee, unlike its predecessors, was organized to draft a comprehensive Master Plan for the three levels of education—elementary, secondary, and postsecondary. As another distinction, the Committee hoped that the new Plan “places learning at the center of policy decisions, rather than focusing on debates around individual system issues.”³ Our working group was instructed to place most attention on funding for direct instruction, not on the other important dimensions of higher education such as research and public service.⁴

We agree with the Joint Committee’s staff that “California owes much of its success to the unwavering priority that has been given to encouraging the educational attainment of its people and to a commitment to ensuring that ample

¹ See Minutes of the working group’s second meeting, June 8, 2001, page 4.

² Very ably prepared by Michael Ricketts, consultant to the Working Group.

³ Joint Committee, *Interim Report*, p. 3.

⁴ See Minutes of the Working Group’s first meeting, May 11, 2001, page 4.

access is provided” to high quality programs.⁵ Our work is dedicated to ensuring that the financial resources are available to continue this priority of access and quality.

Public Policy Goals for Higher Education Finance

California has an extensive set of postsecondary institutions which offer a vast array of activities, ranging from English courses for recent immigrants to the most advanced medical education in the world, from cosmetology classes to genetics research, from general education to advanced graduate study in specialized fields, from concerts to athletics, and from bookstores to travel abroad. The financial support for all these activities, and for the facilities where they take place, come from many sources beside state government.

Even so, State appropriations constitute the core funding for the mission of each public segment and a large portion of financial aid available to students in private institutions. The state government also controls directly, or strongly influences, the level of student charges in public institutions. The amount of these appropriations and their basis for distribution appear to us the most important ways that public officials communicate with higher education institutions.

Because of this importance, this state’s financing approach should be tied directly to policy goals that meet the needs of students, serve the interests of the institutions, respond to the workforce needs of business, and fulfill the fiduciary responsibilities of state government to the taxpayers.

We believe the financing approach should support these goals:

Access. Forty years ago, California’s Master Plan for Higher Education stated unequivocally that a tuition-free, undergraduate “space” for every qualified adult would be available somewhere in higher education. Over the years, this has been translated into policies that define different pools of eligibility among the public segments based on the academic records of students, maintenance of “low student fees,”⁶ and aid for financially needy students.

⁵ Joint Committee, *Interim Report*, p. 5.

⁶ Presently, all charges paid by resident California students are officially called “*fees*,” a semantic idiosyncrasy unique to California and often confusing to the public. In other states, mandatory statewide charges to students used for general support are usually called *tuition* and other payments for specific services (student body membership, cultural events, health care, parking, etc.) are called *fees*. Under California’s Master Plan, however, tuition (the cost of instruction) was not to be charged to state residents for fear that too tight a link with instructional salaries might cause large increases. Today, student charges, especially in the public universities, represent substantial sums. Although the Plan’s original purpose in

Affordability. No one, especially undergraduates, should be deterred from attendance because of limited finances, but students should still pay in fees what they can reasonably afford. While the principle is clear, its measurement in practice is difficult because of the intermixture of family resources and current earnings, and the rapid increase of scholarships, grants, government-guaranteed student loans, and federal tax credits for tuition. In the real world, the “posted price” of tuition or fees is rarely what is paid by low income students, while those from upper-income families could afford to pay considerably more than the actual fee charged by public institutions.⁷

Choice. Students should have a wide variety of educational opportunities in terms of choosing among the sectors, institutions, programs, and delivery systems. This policy has resulted in an extensive dispersion of public campuses and a major commitment to student financial aid that reduces financial barriers for attending a private institution.

Quality. Californians are committed to maintaining a system of higher education at a level of quality in teaching, research, and public service second to none. Traditionally, the higher education community itself has defined *quality* in terms of dollars available, recruitment and retention of quality faculty, selectivity of good students, or the national prestige of institutions. Recently, *quality* has become more multi-faceted, including measures of educational outcomes, “value added” from the standpoint of learning, the priority to maintain currency with curricular shifts, and opinions of higher education’s “customers,” including students and the businesses that hire graduates. Under all definitions of *quality*, financial resources play a substantial role.

Efficiency. The system of state finance should promote the conservation of resources, their judicious use, and creative approaches to offering programs. The efficiency goal should be for state government to provide the same or an even higher quality of education at a reduced cost to taxpayers and students. In the past, the primary way that the state has fostered “efficiencies” has been through underfunding of certain budget categories and lower appropriations during times of fiscal stringency. Under arrangements where a certain level of government support is expected, the segments and campuses have had to

such a semantic distinction has faded, the mandated practice is to continue referring to resident student charges as *fees* and to non-resident charges as *tuition*. The semantics, however, are not as important as how to establish the level of student charges and make their adjustment more rational.

⁷ The cost of education (meaning the resources spent on instruction) should be distinguished from the price charged students, whether posted or net. The cost, especially in the public segments, is always more than the price charged students.

translate millions of dollars of cuts into programmatic reductions and changes. These, they contend, represent efficiencies.⁸

Cooperation. The state's finance approach should provide incentives for cooperative links among the segments of higher education and with K-12. For years, these links have consisted mainly of policies dealing with transfer students, joint degrees between universities, and articulation of courses. Recent state budgets have provided millions of dollars, especially to the public universities for K-12 links.⁹ Recently, shared facilities and regional cooperation among institutions have emerged as priorities and state government should encourage these through fiscal incentives. Beyond these appropriations, the state's goal should be that these links are systemic and intrinsic to the institutions of higher education, and a priority for their regular operations, rather than simply opportunities based solely on additional funding.

Accountability. The state should provide a clear statement of standards and expectations for the institutions, define what measures will be used to assess progress, and establish fiscal consequences for their achievement or lack thereof. It is especially important that state government define what should be measured, how, when, and by whom. In this regard, the "Partnership" approach for the UC and CSU, which establishes certain annual levels of state funding in return for specific and often quantified results, is a good beginning for a comprehensive accountability framework. When fully developed, this framework should (a) include outcomes that measure some of the "value added" by the postsecondary enterprise, (b) include incentives and rewards for exceeding expectations as well as penalties for falling short, and (c) be subject to adjustment as circumstances change.

Shared Responsibility. California's system of higher education is one of the most respected in the nation and around the world, in large measure because of its commitment to access, quality, affordability, and choice. However, the expense of fully meeting all these goals, during times of strong enrollment demand and fluctuating tax revenues, is more than the state government can meet alone. Realistically, the fiscal responsibility for providing broad access to high quality postsecondary education has to be shared by state government, local communities, students and their families, and the businesses that employ college graduates.

⁸ For example, the University of California absorbed permanent cuts to campus budgets and the office of the president that totaled \$433 million, or 20% of its state funded budget from FY 1991 to FY 1995. The other public segments faced similar cuts.

⁹ For instance, the CSU received \$64 million for "special initiatives" in the 2001 Budget Act (Richards, *Final Budget Allocations*, p. 5). The University of California lists 800 projects with K-12 schools and millions of dollars of state funds appropriated specifically for this link, including \$32 million to develop a network for K-12 access to California's portion of Internet2 (UC, *2001/02 Budget*, pp. 235-7).

Challenges to Achieving Policy Goals

Our working group identified three challenges that pose the most serious threats to achieving these goals.

Current unmet needs: California's system of higher education has substantial needs in funding current operations and capital construction, which must be met just to maintain the current institutions. This comes, in part, from a gradual decline of state support for colleges and universities.

During the 1970's, higher education received between 16.5% and 17.5% of the state's general fund appropriations for current operations, despite the fact that the Community Colleges relied heavily on property taxes that decade. Today, the state appropriates barely 12% of its general funds to higher education.¹⁰ The reasons for this decline have been the priority placed on funding other sectors, such as K-12 education, the rapid growth of workload in other state-funded institutions, such as the penal system, and higher education cuts that were replaced in part with student fee revenues.

If it is not possible for the state government to meet all these financial needs each fiscal year, the state should take a leadership role in identifying the magnitude of these needs and in forging partnerships to meet them. This means providing incentives to expand other revenue sources and encouraging innovative approaches to increasing capacity through joint efforts among institutions and educational technology, and ensuring ample student financial aid that encourages a choice among educational sectors.

Growth in enrollment demand: The challenge of financing higher education, however, extends beyond current needs. More than 700,000 additional students, or an increase of 35%, will seek to enroll in California higher education between 1998 and 2010.¹¹ During those years, the rate of growth among California's 18 to 24 year olds, those who attend college most heavily, will be double the growth of the population as a whole.¹² Three-fourths of the additional demand will result from demographic growth and increasing class sizes of high schools, while the remaining one-fourth will come from improved college participation rates.

Indeed, the working group suggests that the state set its sights of *access* even beyond those of traditional age in "Tidal Wave II." The state should find more

¹⁰ CPEC, *Fiscal Profiles*, 2000, Display 2.

¹¹ CPEC, *Providing for Progress*, pp. 3-4.

¹² Gladieux, *Student Debt*, p. 13.

spaces for older adults who wish to re-enter to complete their college degree, more encouragement for those who wish to pursue an advanced degree after several years of employment, and more opportunities for those who need continuing education.

It is vital for the state's economic and social future that the projected numbers of additional students be enrolled in higher education. However, unless the long-term decline of state appropriations support is reversed, it is hard to imagine how the full extent of enrollment demand in Tidal Wave II and that of older adults can be accommodated. In the face of such demand, the choices will be to limit *access* to college, reduce the *quality* of public institutions, limit *choices* available to students, or raise student fees beyond the *affordability* of many Californians.

Over the past five years, many credible studies have reached this conclusion and have offered concrete recommendations on the best ways to accomplish this reversal.¹³ Taken altogether, they provide a wide range of creative options, from better preparation that reduces time in postsecondary education, to expansion of electronic technology, to more use of private institutions, to more intensive use of traditional sites, off-campus centers, and joint-use facilities. These studies represent an important resource for the legislature in considering alternatives, and our report contains many of the same recommendations.

The lack of a long-term, comprehensive, and realistic approach to state finance of higher education: Abrupt changes in major state finance patterns or policies damage the ability of California's public segments and private institutions to achieve public policy goals, and often disrupt the educational plans of students. Over the past decade, the state government has changed signals with regard to calculating the adequacy of financing for public institutions, student charges in public segments, and its commitment to student financial aid. In good times, the state provides large increases in appropriations to public institutions, reduces student fees, accepts responsibility for ambitious initiatives, and directs more financial aid to students in private institutions. When hard times arrive, state government reverses these actions, deeply cuts its appropriations to higher education and abandons, or suspends, many of its commitments to institutions and students.

These swings of support extend beyond the normal ebb and flow of state revenues. They occur partly because most appropriations to higher education

¹³ California Higher Education Policy Center, *Shared Responsibility* (1996). CPEC, *A Capacity for Growth* (1995); Benjamin and Carroll, *RAND's Breaking the Social Contract* (1997), California Education Roundtable *Higher Education at the Crossroads* (1998). California Citizens Commission on Higher Education, *Toward a State of Learning* (1999).

are annual and discretionary--that is they are neither constitutionally required nor protected under existing statutes¹⁴--and partly because the state has lacked realistic planning and constructive discipline.

Working Group Recommendations

Recommendation 1: Adopt policies to provide more stability for finance and dampen the “Boom and Bust” swings of state appropriations for higher education.

The working group is under no illusion that some policy or legal device will magically eliminate the effects of rises and falls in state revenues on colleges and universities. We do not expect, in the words of one group member, to “insulate higher education from the natural contractions of the business cycle that provide strong impetus to look for efficiencies.”¹⁵

Still, certain policies would go a long way toward achieving a stability and predictability that would have great benefit to students and institutions.

The Current Approach to Financing Higher Education

In good times, state government funds the “base budgets” of public institutions according to certain agreements or annual negotiations, plus costs associated with projected enrollment growth. The state also provides large amounts of additional support beyond this funding.

In bad times, state government cuts base budgets by some arbitrary amount and may reduce funds for additional enrollments regardless of demand.

1. *The state government should fund the “core” support promised in the Partnership Agreements for UC and CSU.* Currently, this support includes a 4% annual increase in operations budgets, appropriations for additional enrollments, and income from an increase in student charges equal to the rise in the personal income of Californians. When state revenues are flush, government should also continue providing funds for new or expanded programs beyond this “core” support. We would recommend, however, that additional allocations in good times be directed toward one-time expenditures that can, if necessary, be more easily reduced in times of financial stress. In addition,

¹⁴ The major exception to this generalization is the inclusion of the community colleges with K-12 under the revenue guarantee provisions of Proposition 98. The actual split between K-12 and Community Colleges however, is not constitutionally determined and has been subject to annual negotiation, generally to the detriment of the colleges. Another exception is SB 1644 (2000), landmark legislation that converted the Cal grant program into an entitlement guaranteeing aid to every graduating high school and transferring community college applicant who meets the program’s financial and academic requirements.

¹⁵ Minutes of the working group’s meeting held August 23, 2001, page 5.

we would note the legitimate concern that maintaining a “marginal cost” approach for funding all additional enrollments of “Tidal Wave II” will seriously dilute the funding base of the institutions.¹⁶ Marginal cost formulas are adequate only for funding enrollment fluctuations around a fairly stable level and do not take into account the adequacy of overall funding. We recommend that state government initiate a review of marginal cost funding to assess its adequacy and its limitations, with the goal of improving its usefulness in budgeting.

2. *The state should adopt a consistent student fee policy and resist the temptation of continuously “buying out” student fee increases at UC and CSU during good economic times.* This will reduce the upward “swing” of general fund support during good times,¹⁷ support that is cut dramatically during downturns. The policy should also limit the downward “swing” of state funds during bad economic times, when the past practice has been to raise student fees precipitously and use them to replace the state’s funding responsibilities.
3. *The state should establish the Community Colleges’ share of overall revenues guaranteed by Proposition 98 to K-14 at 10.93%.* This percent is the amount currently defined in statute but not reached in more than a decade.¹⁸ The present practice is to determine annual appropriations for K-12 initially and set the colleges’ appropriation thereafter, effectively letting the proportion “float.”

Recommendation 2: Improve the state’s accountability framework by modifying and expanding the “partnership” budget approach, currently applied to UC and CSU, to (1) include all higher education, (2) clarify the link between performance and funding, and (3) adopt realistic alternatives for times of revenue downturns.

State governments, including California, have traditionally provided appropriations to public institutions based on credit units generated, seat-time, headcount enrollment, or square feet of facilities to be maintained. Under this approach, the beneficial results of such funding were either taken for granted or discussed only generally during budget hearings. Serious or quantitative

¹⁶ Academic Senate of the CSU, p. 47.

¹⁷ The cost of this buyout for CSU was \$17 million in FY 2002 and \$22 million at UC. Established seven years ago, this practice has appropriated hundreds of millions of state dollars into higher education’s base budgets in the place of fee revenue that would otherwise have been collected through authorized student fee increases.

¹⁸ The level should be provided in conjunction with a performance budgeting and accountability partnership described on pages 10-11 below.

consideration of the performance of institutions, or the “outcomes” of the educational process itself, rarely found their way into the appropriations process.

Over the past ten years, many states have expanded their traditional approach to financing higher education by linking some appropriations to specific measures of institutional performance. Examples include successful transfers from community colleges to four-year institutions, the number of accredited special programs on a campus, improved graduation rates, the use of standardized tests to measure learning, employment placement or enrollment in post-baccalaureate education, and the results of alumni/employer surveys.

States have recognized institutional performance in the appropriations process through one of two ways, or sometimes both.¹⁹

Performance funding (19 states) ties some part of the appropriation directly and tightly to the performance of public campuses on individual indicators. Performance funding focuses on the way funds are distributed and the relationship between funding and performance is “tight, automatic, and formulaic.”²⁰

Performance budgeting (27 states) allows state officials, including legislators, to consider institutional achievement on performance indicators as one factor in determining appropriations. Performance budgeting focuses on budget preparation and presentation. California presently uses performance budgeting in its “Partnership” agreement with the UC and CSU.²¹

Since 1995 at the Governor’s initiative, state government has maintained a “compact” or “partnership” with these four-year, public segments. The working group concludes that this “partnership” approach is beneficial in bringing more clarity of expectations and consistency in finance. As shown in Appendix C, there are more numerical goals than ever before in the history of California finance, and several are specific enough to qualify as “accountability measures” (described above under the accountability goal). The approach, however, contains three serious defects:

The Community Colleges and the independent institutions do not have partnership agreements. State government has not addressed expectations at all for independent institutions,²² and, while there exists a “Partnership for

¹⁹ The following, helpful distinctions appear in Burke, “Linking State Resources to Campus Results.”

²⁰ Burke, “Linking State Resources to Campus Results,” p. 4

²¹ See the listing of agreements in the “partnership” on page 11 and a more extensive description in Appendix C of the current measures.

²² Unlike most other states, the California constitution seriously restricts the legislature’s ability to fund any private institutions directly: “No public money shall ever be appropriated for the support of...any school

Excellence Program” among the Community Colleges, the approach falls short of an appropriate accountability framework.

Currently funded at \$300 million

**The State’s Current “Partnership” with UC and CSU
Examples of Segmental Commitments**

- Continue to admit all eligible high school graduates.
- Improve graduation and retention rates.
- Continue current approach to maintaining competitive faculty salaries and merit-based pay.
- Increase partnering with K-12 schools to reduce the need for remedial education.
- Increase the number of teacher credentials.
- Expand the number of joint doctoral programs.
- Improve productivity and utilization of existing activities.
- Increase the number of community college students transferring beyond the growth projected for overall enrollments.
- Increase the number of graduates in engineering and computer science by at least 50% (UC).
- Reduce percentage of incoming freshmen requiring remedial instruction in English and math to 10% by 2007 (CSU).
- Increase campus passage rates of CSU graduates on Reading Instruction Competency Assessment exam to at least 90% by 2003 (CSU)
- Increase opportunities for students to participate in community service activities.

**The State’s Current “Partnership” With UC and CSU:
Examples of State Funding Commitments**

- An annual average increase of 4% and an additional 1% for on-going building maintenance, instructional equipment, instructional technology, and libraries.
- Funding for “unavoidable” costs such as debt service related to capital outlay and annuitant health benefits.
- Funds for additional enrollments based on projections and the negotiated “marginal cost” rate.
- Funding for new or expanded initiatives such as development of new campuses, off-campus centers, state-supported summer sessions, research projects, etc.
- At least \$210 million a year for each segment, funded with voter-approved, general obligation bonds.
- Revenue equivalent to that which would be generated from increases in student fees.

beyond the normal appropriations formula, this “Excellence Program” was created as “a mutual commitment by the State of California and the California Community Colleges...for a credible commitment from the System to specific student and performance outcomes.”²³ The specific outcomes, as adopted, represent a limited set of numerical targets for increased transfers, a higher percentage of course completions, and more students completing their educational objectives. The excellence program has become more a method for increasing appropriations generally through the FTES approach rather

not under the exclusive control of the officers of the public schools...” (Article IX, section 8). In several cases, courts have held that the State cannot appropriate funds directly to private institutions for educational services, the most recent being a California Supreme court decision in 1978 that involved Stanford University. The state can, of course, appropriate money for student financial aid that flows to students in independent institutions or provide funds to them for public purposes, such as a pool of funds to be distributed by competitive bids with all institutions eligible.

²³ Education Code 35, § 84754

than distributing the funds to recognize differential results among the districts or colleges. As a more effective strategy for accountability, our working group recommends a “partnership” approach for the Community Colleges along the lines established for the other public segments.

The current partnership agreements are unclear about what happens if one side or the other fails to live up to them. For example, the state did not appropriate the amount of funds identified in the agreement during FY 2002. Are the segments released from their commitments or at least from a portion of them? If so, which ones? Or, are the segments expected to continue progress and the agreements are merely suspended until state revenues recover? If so, is a “catch up” expected? An effective *partnership* should be clear about consequences.

The agreements need specific alternatives if the partnership approach is to be a realistic framework for financing higher education over the long-term. As shown by the list of state funding commitments on page 11, the annual increases are ambitious. The state commits to funding base increases above the rate of inflation, to “catch up” dollars for maintenance and equipment, to fund new enrollments, and to buy-out the cost of student fee increases.

The full range of partnership commitments would seem financially and politically realistic only when state coffers are full. This suggests that the agreements should contain at least one other set of policies for times when they are not. For example, as recommended above, the state could formalize its commitment to core funding and enrollment growth at all times, with additional revenues in good years allocated for priority, one-time purposes. Such one-time funding should be the first resource adjusted in response to slow or no revenue growth.

Recommendation 3: Change the way state government funds electronic technology to provide more access and choice for students.

Electronic technology is making a significant difference in higher education and holds even greater potential for the future. The use of computers, mass data storage and retrieval, and high speed and satellite communications allow institutions to offer instruction and services electronically, as well as at a distance from campus. An increasing number of programs are structured around “anytime, anyplace” learning rather than classroom settings. This trend has also encouraged more attention to evaluations that are learner outcome based, since “seat time” in an environment where lessons are delivered electronically is no viable proxy for learning.

So far, though, the adoption of electronic means for creating courses has not offered a simple way to reduce costs. In fact, the result is just the opposite: it has added significant costs. The initial high outlay for equipment and course development, the substantial expense of keeping up-to-date, the need for numerous technical and training personnel, and the advanced level of sophistication to use technology effectively—all are factors that make “electronic instruction” an expensive proposition. Even if costs are not reduced, however, technology can be used to expand access and to enhance learner outcomes.²⁴

The fact is that the expansion of educational technology has had little impact on the way state government funds institutions. Expenditures for this growing area have come from either regular credit enrollments (that is, taken from the general appropriations support provided for FTES) or as an “add on” to the enrollment-generated budget for each public segment.

The working group devoted considerable attention to the issue of educational technology. While all agreed that its impact was substantial, we disagreed about the wisdom of expansion. Proponents contend that advanced technologies enable higher education to cut costs and expand access to remote locations or areas far from campus. They believe that technology enhances educational quality because instruction can be tailored to individual needs and circumstances of learners—for instance, by offering the repetitive drills required in remedial English language instruction, or basic mathematics courses.

On the other side, the critics of extending access through “high technology” insist that such devices tend toward glitziness rather than substance, toward rapid motion rather than in-depth thought, and toward impersonality in place of the face-to-face give and take in a classroom. They point out that fifty-four percent of community college faculty, much experienced with instruction, “felt

²⁴ Bates, *Managing Technological Change*; CPEC, *Coming of Information Age*.

the classroom was better in terms of the quality of student-teacher interaction, compared to 16.8% who felt distance learning [through electronics] was better.”²⁵ A five-year study among the California Community Colleges showed far higher course completions rates among those offered as traditional classes than those delivered at a distance.²⁶

Regardless of where one stands in this debate, we agreed that if educational technology is going to be a major force for changing instructional delivery, the state should reconsider the finance mechanism for supporting it. First, we agreed that the state’s current finance approach does not take into adequate account the large course development and equipment needs required “up front” for the creation of effective instructional materials. Second, we accepted the reality that the electronic creation and delivery of courses allows, in fact strongly encourages, collaboration among many institutions. This collaboration is fostered by the need to amortize high initial costs across a larger student base, and the opportunity technology provides to “unbundle” instructional services. In this case, program development, course creation, instructional delivery, and student evaluation can be related in more flexible ways. Each can be provided not only by *different* staff or faculty, but also by *different* institutions altogether. The best examples of successful electronic education programs around the country represent collaborations across these areas of service. Finally, we agreed that all state-constructed, instructional facilities for higher education should include advanced technology throughout, with flexibility to upgrade easily when new transmission devices become available.

Accordingly, the working group urges the Joint Committee to consider a new approach to expanding electronic instruction in a collaborative manner. We propose that the state government provide grants to regional learning centers that would collaborate with California institutions in bearing the cost of creating educational packages for electronic use, marketing these to other California institution and promoting training for faculty and staff in electronic instruction. An example of one possible structure is the use of multi-institutional centers, especially those serving specific regions within the state, that contract with educational providers to meet the needs of local groups²⁷. This would include both public and private institutions, which would promote student *choice*.

²⁵ CCC, “Distance Education Report,” p. 11.

²⁶ *Ibid.*, p. 5.

²⁷ These ideas were elaborated by Dewayne Matthews, Director of State Relations for the Education Commission of the States, during his presentation to the working group. See the minutes of the working group’s meeting on August 23, 2001, pp. 5-9.

Recommendation 4: Reform the state’s approach to student charges in the public segments and maintain the Cal Grant need-based financial aid entitlement.

This issue proved thorniest of all for the working group.²⁸ Complicated by interactions between student fees and student financial aid, by the different missions of the public segments, and by concerns for increasing student debt, the policy for setting and adjusting student fees has long been debated in California. Having reviewed this debate and considered the research on the subject, the working group considers these to be the most relevant findings for state policy:

California’s policy of “low fees” at all costs needs to be re-examined in light of modern realities. The original Master Plan came down squarely on the side of low student charges, prohibiting “tuition” (direct payment for instruction) and assuming that the posted price of admission was the most important factor in steering young adults toward or away from college. This was likely true before the rise of mass higher education and the expansion of student financial aid. Today, though, “research shows that college pricing and financial aid factors play a relatively small part of the decisions made by most students about enrolling in college. Other factors, taken together, tend to play a much more important role...the student’s academic aptitude and achievement, course-taking patterns in high school and earlier grades, the role of parents, siblings, peers, and others in promoting college, and [proximity].”²⁹

There exists a large amount of student financial aid and other resources to assist in paying for college, which reduces the net price to students. Today, more financial resources are available than ever before to pay for the cost of fees, tuition, room and board, and books, depending on one’s financial circumstances and the kind of institution attended. These include federal and state, need-based grants (Pell and Cal Grants), middle income tuition tax credits (federal), subsidized and unsubsidized loans to students or parents, and “institution-based aid” given by each college or university, usually as a reduction in the “posted price.”

Still, the level of student charges, and especially the magnitude of their annual changes, do play a significant role in determining access and retention, but do so differentially. Credible research shows that increases in student charges have a more negative effect on community college students than on those enrolled in four-year institutions, on first-time freshmen compared to those who have attended for

²⁸ For a strong objection to any fee increases or even to the existence of any student charges, see the minutes of the working group’s meeting held on June 8, 2001 (p. 8) and Appendix B, the statement by group member Hittleman. Other group members did not share these views.

²⁹ *Heller, Effects*, p. 10.

some time, and on African American, Hispanic, and low-income students compared to white and middle- and upper-income students.³⁰ The differential effect remains even when tuition increases are off-set with grants, as shown in the following table from research conducted by Donald Heller of the University of Michigan, a leading authority on this subject:

**THE ENROLLMENT EFFECTS PROJECTED FOR
A 10% INCREASE IN TUITION
1999**

Public Sector	Projected Enrollment Decline for a 10% Tuition Increase with no Increase in Grants	Projected Enrollment Decline for a 10% Tuition Increase Combined with a 10% Increase in Grants
Four-Year	-0.52%	-0.20%
Two-Year (CC)	-1.34%	-1.20%

Source: Heller, *Effects*, pp. 15-17.

While the differential impact of fee increases is undeniable, other factors such as student financial aid and fee stability even within the community colleges are quite important as well. In this regard, the CCC Chancellor's office prepared two studies that extensively examined student behavior during the periods when fees most increased (1984-5 and 1992-4). Both studies found that budget cuts and course cancellations proved just as damaging to access as did fee increases and that enrollment would return to earlier levels even after rapid fee increases if fee waivers were provided over several years. The second study showed that differential charges did seem an equitable option if the state had to increase fee revenues by large amounts. Appendix A describes these points in detail.

³⁰ Heller, *Effects*, pp. 8-9. Leslie and Brinkman, *Economic Value*, p. 132. Shires, *Future*. Careful targeting of aid and extensive outreach, however, can mute these effects. For example, the number and proportion of low-income undergraduates at the University of California increased between 1991 and 1994, years in which required fees increased most dramatically (see California Citizens Commission, *State of Learning*, p. 40.)

California taxpayers provide a substantial subsidy for all students who attend public institutions, as shown in the following table.

Public Segment	State General Funds per FTES³¹ 2000-01	Total Undergraduate Fees Per Student	Student Fees as a Proportion of total State and Student Fee Funding³²	State General Funds Compared to Student Fees Per Student
UC	\$18,794	\$3,964	16.7%	4.74 Times More
CSU	\$8,470	\$1,839	6.2%	4.61 Times More
CCC	\$4,404	\$330	3.3%	13.35 Times More

Source: CPEC, *Fiscal Profiles*, 2000, Displays 13-15, 34, 36. The UC figures are estimates. Those for the CSU and the CCC are actuals.

The fact is that many middle and upper-income students, especially in the University of California, who could afford to pay higher fees, receive a large state subsidy because fees are charged without reference to income.

By almost any measure, California higher education is more “affordable” than other states. In 2001, UC undergraduate charges are one-third less than the four public comparison institutions, and were roughly 77% of the level charged at all public research universities around the country. CSU undergraduate charges were less than half the level among fifteen public comparison institutions and were roughly 55% of the national median. For 2001-02, CCC full-time students paid only 21% of the 1999-2000 national average for public two-year institutions.³³ The National Center for Public Policy and Higher Education gave California an “A” for affordability in its landmark survey of state policies, *Measuring Up, 2000*,

³¹ The state general funds per FTES is based on the state’s annual appropriation to each segment, which represents the taxpayer support for activities related to each segment’s total mission. However, only a portion of state General Fund revenue directly supports instruction. The revenues per student for instructionally-related activities in 1999-2000, which include university revenue, students fees and other income sources in addition to a portion of state allocations, were as follows: UC = \$15,196; CSU = \$10,193; CCC = \$4,767.

³² The CCC figure are derived by dividing the \$4,698,398,000 total of state appropriations and property taxes by the \$157,242,000 collected as student fee revenues. The UC and CSU calculations are presented in the source table.

³³ Legislative Analyst, *Analysis of 2001-02 Budget Bill*-. Washington State Board, *1999-2000 Tuition and Fee Rates*.

with some qualifications.³⁴ Kent Halstead, an authority on state policies, issued a statistical *Report Card on Finance* in 1998 that indicated “state budget priority for higher education far exceeds family payment effort in [eleven states, including] California” whose undergraduate charges were 16% lower than the national average charge as a percent of median income of all households.³⁵ A recent report from the Lumina Foundation for Education placed California among the 11 states “most consistently accessible” and loan free for low- and median-income dependent students and also found that California private institutions were among only seven states where “as many as 20% of the private four-year institutions [are] generally affordable for low-income full-time students.”³⁶

As currently implemented by state government, student fee policy takes little account of what a student’s “fair share” of educational costs should be, and little recognition of how best to align student charges with tax supported appropriations. Instead, state government holds fees down during good times for all students regardless of which segment they attend or their ability to pay, and in the past has raised charges substantially--sometimes catastrophically--for many students, during revenue shortfalls. Over the years, the public segments themselves have shown a greater understanding of the impact of charges on their own students and an appreciation of the balance necessary for a viable, long-term student fee policy.

In view of these findings, the working group recommends that state government take the following actions toward student fee and financial aid policy:

1. Allow statewide student charges to increase in a gradual, moderate, and predictable fashion at the UC and CSU, under the approach in the current partnership agreement. The state should not automatically “buy out” these fees with taxpayer dollars.
2. Allow the UC and CSU within certain ranges to charge differential fees, taking into account large differentials in instructional costs and the personal economic benefits available to graduates later in their careers.

³⁴The report, however, went on to say “California requires families to devote a relatively large share of family income, even after financial aid, to attend public four-year colleges and universities. Private institutions, which account for 17% of enrollment, also require a relatively high proportion of family income to attend. The state has done poorly in providing financial aid to low-income students. However, California’s overall grade in this category is very high because of the exceptionally low tuition at California’s community colleges (which represent 48% of student enrollment statewide) and the very low share of family income that the state’s poorest families need to pay for tuition at the community colleges” (p. 32).

³⁵ Halstead, *Report Card*, pp. 47, 49.

³⁶ Kipp, et al., *Unequal Opportunity*, pp. 23, 39.

3. Allow the Community College Board of Governors within certain ranges to set and annually adjust statewide fees and each district's board of trustees to supplement these fees locally. All such funds should remain with the colleges and not be used to offset state-determined funds in the appropriations formula. The Board of Governors and the districts should be allowed to charge different levels of fees for different kinds of programs based on their public benefit. The Legislature and Governor should require regular evaluations of the impact of fee changes to gauge the effect of this policy on opportunity in that segment.
4. Allow all segments to levy a surcharge on students beyond the regularly scheduled levels during emergencies caused by serious declines in state appropriations. We recommend that such a surcharge must be re-adopted each year during the emergency, and eliminated thereafter either by legislative appropriation or by reallocation within the segmental budgets.
5. Leave the proceeds from all student charges with the institutions of higher education to benefit students and not serve as a replacement for a portion of the state's appropriation.
6. Continue to fund the Cal grant entitlement as defined in SB 1644 (2000). All increases in state assistance given directly to students should be limited to those with financial need. The undiluted continuation of this commitment should be a high priority for the state government, as it strives to meet the educational needs of Californians through both public and private institutions.

Recommendation 5: Review the state's methodology for determining and funding facilities in California higher education, and, as appropriate for each segment, make changes to emphasize multiple use facilities, comprehensive space planning, sharing of space among institutions, and incentives to maximize other sources of capital outlay.

The renewal and repair costs of capital facilities in higher education are more than state government can afford, and the projected number of students in Tidal Wave II can be enrolled only with non-traditional approaches.³⁷ Widely accepted estimates suggest that the annual cost to maintain the existing higher education physical plant is almost \$700 million per year and that an additional \$821 million per year will be necessary to accommodate enrollment growth in the public institutions. The following table summarizes these costs by segment,

³⁷ While the strongest surge of enrollments will occur through approximately 2010, there is no decline projected thereafter so that the facilities constructed for additional enrollments will not be surplus.

which shows that the need is more than twice the amounts provided in the past from state sources alone.

FUTURE CAPITAL OUTLAY NEEDS IN HIGHER EDUCATION COMPARED TO THE AVERAGE OF STATE-SUPPORTED CAPITAL OUTLAY FUNDS IN THE PAST					
<i>Public Segment</i>	<i>Size</i>	<i>Cost to Maintain Existing Plant (millions)</i>	<i>Cost to Provide for Enrollment Growth (millions)</i>	<i>Total, Annual Capital Outlay Cost (millions)</i>	<i>The Annual Average that State Sources Have Provided 1989/90 to 2000/01* (millions)</i>
UC	187,000 students 9 Campuses 53.2 million ASF	\$284.6	\$333.5	\$618.1	\$213.4
CSU	400,000 students 23 Campuses 27.8 million ASF	\$164.6	\$194.1	\$358.7	\$187.5
CCC	1.67 million students 107 Campuses 35.7 million ASF	\$232.4	\$293.8	\$526.1	\$204.0

*Includes proceeds from general obligation bonds, revenue bonds, and other state sources. Annual averages calculated using the number of years when the funds were received.
Source: CPEC, *Providing for Progress*, p. 98; CPEC, *Fiscal Profiles*, Displays 44-6.

Recently, state funding of capital outlay has relied mostly on the voters' approval of general obligation bonds. Proposition 1A provided \$2.5 billion over a four-year period beginning in November 1998, or \$625 million for public higher education per year—far below the total needs projected.

The segments, of course, have other means of raising capital funds, chiefly through local elections for community college districts (the approval threshold is now 55%), legislatively approved “revenue bonds” that do not require voter approval but whose principal and interest payments come through the annual appropriations, along with all manner of grants, contracts, and donations.

It is unlikely that all of these means will be sufficient to both maintain the existing infrastructure, provide for special needs unrelated to enrollments (such

as the University of California’s Centers for Science and Innovation),³⁸ and expand capacity enough to absorb “Tidal Wave II” and the demand from older adults.

To make the most efficient use possible of the capital resources available, the working group supports these measures:

- Continued movement to full state support of summer sessions in UC and CSU.
- Increased use of off-campus centers rather than constructing new campuses.
- Expanded use of joint facilities.³⁹ This should include a competitive grants pool for which all institutions could compete—including private, accredited colleges and universities—in order to construct publicly owned facilities to be administered jointly.⁴⁰
- A re-evaluation of the current space and utilization formulas for classrooms and teaching laboratories, adopted by the Legislature during the early 1970’s, which are seriously outmoded for an era with much wider opportunities for instruction through technology, multiple use facilities, and comprehensive space planning. In this regard, the ASF/FTES approach being developed by the California State University appears promising.
- Creation of a sinking fund managed by each segment as a way to promote capital renewal to extend the useful life of buildings. Currently, the state’s capital allocation process emphasizes low initial costs of construction, which ensure much higher expenditures for maintenance and renewal later, rather than sustainability. Such a fund would recognize the total costs of the facility through its lifecycle rather than providing for just the construction phase.
- An agreement among the three public segments concerning their respective shares from within the overall proceeds of general obligation bonds, when approved by the voters. The segments should have the opportunity to collaborate on determining their shares of the proceeds rather than automatically continuing an equal split among the three segments. Because an equal split, which is the traditional approach, ignores differences in needs and capital raising capabilities, this is questionable on a long-term policy

³⁸ The state’s budget act of 2000 approved a plan to provide \$300 million in four annual increments for these centers, with the expectation that state funding will be matched on a two-to-one basis with non-state funds. See UC, *Budget for Capital Improvements*, p. 9.

³⁹ The bond act proposed in 2001 contained funds for such joint use facilities.

⁴⁰ CPEC, *Providing for Progress*, p. 62.

basis. Nevertheless, the working group is convinced that this division remains justifiable for the next bond act because the compelling capital needs of each segment far outstrip the amount that will be available through these bonds.

- The state's appropriations methodology for each segment should not discourage pursuit of other sources to fill the existing need (for instance, the community colleges through their local borrowing capabilities, the four-year segments through fund-raising and legislatively approved revenue bonds). The state should neither direct, nor restrict, the use of these funds.

Conclusion

California's new Master Plan for Education should have clear goals that are implemented by the financing policies of state government. To do this, the state government should:

- ***Adopt policies to provide more stability for finance and dampen the "Boom and Bust" swings of state appropriations for higher education.***
- *Improve the state's accountability framework by modifying and expanding the "partnership" budget approach, currently applied to UC and CSU, to (1) include all higher education, (2) clarify the link between performance and funding, and (3) adopt realistic alternatives for times of revenue downturns.*
- ***Change the way the state funds electronic technology to provide more access and choice for students.***
- *Reform the state's approach to student charges in the public segments and maintain the Cal Grant need-based financial aid entitlement.*
- ***Review its methodology for determining and funding facilities in California higher education, and, as appropriate for each segment, make changes to emphasize multiple use facilities, comprehensive space planning, sharing of space among institutions, and incentives to maximize other sources of capital outlay.***

The State's Finance Policies should Implement these Goals for Higher Education:

Access
Affordability
Choice
Quality
Efficiency
Cooperation
Accountability
Shared Responsibility

California's social and economic progress depends on an educated citizenry, and state government should strive to ensure that ample access is provided to high quality programs. This is best achieved through a comprehensive, realistic approach to state finance of higher education that emphasizes more stability of financial expectations, incentives to use technology to expand access and improve quality, encouragement for private institutions to help achieve state goals, a reformed process for charging student fees that will be used for the benefit of education, and replacement of the outmoded approach for determining capital outlay needs.

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APPENDIX A
An Evaluation of the Impact of Rapid Increases in Student Fees
Within the California Community Colleges:
Highlights from Two Studies

California Community Colleges. *Study of Fee Impact: Final Report*. Sacramento: The Chancellor's Office. June 1987.

California Community Colleges. *1993 Report on Fee Impact*. Sacramento: The Chancellor's Office. December 1993.

While the differential impact of fee increases is undeniable, the role of other factors-- even within the community colleges— such as student financial aid and fee stability are quite important as well. In this regard, the CCC Chancellor's office prepared two extensive studies that examined student behavior during two periods when fees increased the most (1984-5 and 1992-4). These studies are worth quoting at length because of their important insights on fees in this segment, which provides the most access for those most sensitive to fee changes.

Impact of the Initial Imposition of State Fees in the CCC

In the spring of 1984, state government imposed a \$50 fee per semester on credit students, or \$5 per unit, for the first time in history. After studying several years of effects, the Chancellor's Office concluded:

Credit enrollment declined... by 7% in 1984...the third consecutive year of enrollment losses since the colleges recorded their peak of 1,430,000 students in 1981. Budget and program cuts are thought to have been the primary reasons for 6% and 8% declines in 1982 and 1983. For 1984, however, there was a budget increase for inflation and enrollment growth and incentives in the funding mechanism to restore enrollment losses that had taken place in 1983. Reacting to these budget incentives, colleges attempted to grow, increasing their number of course sections by 4% over 1983. Despite this effort at growth, credit enrollments declined. Results of this study indicate that the new enrollment fee did contribute, along with several other factors, to the 1984 enrollment loss.

California's enrollment loss in 1984 was almost twice that...across the country. ...[T]he larger losses in California, particularly among part-time students, appear attributable to the impact of the new enrollment fee. [However,] few of the effects reported for 1984 in California continued into 1985, the second year of the fee. ... *Thus, the new enrollment fee appears to have had a significant impact in its first year, but not in its second and third years. By contrast, the Board's Financial Assistance*

*Program for students had less than the expected impact in its first year, but is now exerting a positive impact on enrollment.*⁴¹

Impact of the Rapid Escalation of CCC Fees During the Early 1990s

Legislative action in 1992 raised enrollment fees for CCC students who already held baccalaureate degrees from \$6 per unit to \$50 and, for all other students from \$6 per credit unit to \$10--by far the most dramatic single jump in history. In 1993, the credit enrollment fee was raised from \$10 per unit to \$13 per unit but the per unit fee for credit students with BA degrees continued at \$50. After analyzing attendance data and conducting an extensive telephone survey, the Chancellor's office concluded:

Community colleges' spring 1993 enrollment declined from fall 1992 by 106,000 students (7%). Those with BA degrees reduced enrollment by 54,000 in spring 1993, or by 41%. In terms of those without BA's, the \$4 per unit increase resulted in an 8 percent increase in student cost (fees plus other costs of attendance), and produced a 4 percent decline in student enrollment [the number of course sections also declined by 4,000].

The fall's numbers are down 2% from last spring (1993). Most of the impact (7% loss) of new fees occurred last spring.

Among a sample of students without BA/BS degrees who were enrolled in Fall 1992 but not in the spring, fees were a major reason one third did not return in the spring of 1993. Another one-third had completed their work or transferred.

The spring 1993 loss in students without baccalaureate degrees took place primarily among full-timers ...This reversal [of a trend toward more classes being taken] can be attributed to the spring 1993 policy change which lifted the ten-unit limit on fees...making it substantially more expensive to attend full time. ...Minority students appear to have been impacted by the fee to a greater degree than were white students, a finding consistent with the lower incomes (less ability to pay) of minority students generally found in other studies. Students over 20 years of age also appear to have been impacted to a greater degree by the fee increase than were younger, recent high school graduates.

Students with the BA/BS degree also were helped by financial aid. The Board of Governors Grant appropriation was increased...and was supplemented by \$8 million in fee waivers. ...This brought the proportion of community college students on financial aid to nearly 25%.⁴²

⁴¹ CCC, *Study of Fee Impact*, pp. 1-2. Emphasis added.

⁴² CCC, *1993 Report*, pp. iv, 4-7.

APPENDIX B

Ideas that did not Achieve a Consensus

- In favor of a more “market-based” approach to finance:

The state government should adopt a methodology that would provide more student financial aid and less appropriations to public institutions in order to use “student choice to define the most efficient financial allocation to the institution. ...The student based model relies on the competitive forces of student choice to pressure institutions to become more efficient. [Special grants could be given] to “preserving overall capacity levels, serving disadvantaged and high-cost students, and targeting instructional areas, such as K-12 teacher credentialing. ...The Legislature would still ‘contract’ with the universities and colleges for specific research and public service roles as well as provide for capital investment.”⁴³

The state has already taken a significant step in this direction through its expansion and recommitment to the Cal Grant program. Expanding the use of and increasing the level of differential student fees beyond their current limited use for professional programs in the UC to include other graduate programs and to more completely cover the entire cost of instruction in the UC and the CSU would be the next step. This would not only create market pressures and incentives to improve efficiency and quality, but could also serve to expand the overall level of resources available to postsecondary education (thereby expanding its ability to accommodate Tidal Wave II) while at the same time allowing for more effective management of enrollments.

Professor Michael Shires
Pepperdine University

- Opposition to Student Fees and Other Recommendations:

Affordability: Defining what a student can afford to pay in fees is too complicated to implement and leads to many unintended consequences. The problem of an adult student (over 18 years of age) being judged based on his/her families income is not consistent with the way many families handle their economic lives. Fees based on ability to pay would also lead parents and grandparents to not put money away for college since it would work to the disadvantage of the student to have money available for his/her education. Since the economic well being of the state is improved by having an educated

⁴³ Shires, *Alternative Funding Models*, pp. iii, 22.

population, the state should provide the funds to provide universal education to its residents.

Accountability: The use of accountability efforts in other states should be looked at to see why many states are now moving away from this initiative. It should be strongly noted that outcome funding has not created any increase in quality where it was tried.

Student financial aid should not be structured in such a way that students are encouraged to attend costly private universities and colleges. State resources should be used to promote public education.

The report states that "in good times, the state provides large increases in appropriations to public institutions." I would maintain that, even in good times, the funding provided to the community colleges has never approached the need. In fact, based on program based funding standards, community college funding has never been in excess of 60% of the funding required to maintain the colleges at a reasonable level.

We should not oversell the value of distance education. As the report notes, distance education has proved to be more expensive than traditional offerings. In addition, while the growth rate (in percentage terms) has been high for distance education, the total use is still a fraction (less than 2%) of total enrollment. The report should note that groups offering distance education are shutting down. The high drop out rates in community college offered distance education classes should also be noted when policy is being developed.

The report speaks to the opportunity technology provides to "unbundle" instructional services. We should oppose this assembly line approach to education - the breakup of program development, course creation, instructional delivery, and student evaluation. If the educational process is to have integrity, the teacher must be involved in all aspects of the course - from presentation and development to grading. We should not be hiring actors to present material and underpaid barely professional workers to do the grading. This "debundling" is what destroyed correspondence courses in the last century. We should not let it dilute the quality of our offerings.

The California Federation of Teachers is opposed to the policy of fees. We believe that education should be provided free by the state. We are opposed to any policy that would raise fees. I would suggest moving toward eliminating fees so that this did not become an instability from year to year.

We are in favor of continued lowering of fees even if this means that the state

will "buy-out" these funds by providing state funds in their place. The suggestion that fees be increased is particularly destructive in the community college arena. As the report points out, studies by the Community College Chancellor's office have demonstrated that enrollment at the community colleges drops by about 1.34% for each 10% increase in fees. This would mean that a \$1 dollar increase in the amount charged per unit would translate into a drop in enrollment in excess of 200,000 community college students (1.67 million x 1.34%). This is a number greater than the entire enrollment at the University of California (187,000). Even when grants are increased, the drop would still be at the 200,000 student level.

We should maintain the low fees moving to no fees approach. This policy has enriched California in the past and the continuation of this policy will continue to draw talented people to California.

We do, however, need to turn our attention on the cost of books - a high cost for community college students. In addition, it should be noted how much need there is for financial aid as opposed to the amount provided.

The CFT is opposed to differential fees. We are also opposed to allowing the Community College Board of Governors or the UC or CSU to set or adjust statewide fees. These boards are politically appointed and have no direct accountability mechanism (such as loss of political office) to the will of the people of California. Fee levels should continue to be determined by the legislature with the approval of the governor. The Board of Governors as well as CSU and UC should have no control over fees or surcharges. The ability to access education should be the domain of the elected representatives of the people of California.

Finally, I believe that the number of students served by the community colleges and the number of campuses in the community college system should play a role in the division of bonds. The estimation of the costs of building should be done using the same criteria independent of whether the building is done on a community college campus or on a university campus. Currently quite different assumptions of cost per square foot are used to the detriment of the community colleges.

Martin Hittelman
President, Community College Council
California Federation of Teachers

- Proposal for a Trust Fund for Higher Education:

To smooth the cycles of higher education finance, the State should create a “trust fund” called the California Higher Education Opportunity Fund. To do so, the state government should commit to providing to higher education at least its current percentage of total state appropriations, some funds for enrollment growth and assistance for financially needy students.

Whenever the increase to higher education generated from this guarantee was more than a certain amount (for instance 4 percent), the excess would be placed in an Opportunity Fund available to the UC and the CSU. Exceptions to the 4% threshold include enrollment increases and funds for one-time investments such as equipment replacement and deferred maintenance.

Funds collected in the Opportunity Fund would be available to each segment during any year when the increase in state general funds falls below 4 percent, as a means of stabilizing resources over the long-term. The amount higher education needs for annual increases is determined by many factors: the level of general inflation which erodes purchasing power, increases needed to offer competitive faculty salaries, and costs associated with escalating needs such as facilities repair. The recommendation of a “4 percent threshold” is based on an evaluation of the cost fluctuations during the past twenty years. Whatever the level, the threshold should be established at a percentage that will meet these needs projected into the future but will create a significant cushion for fiscal downturns.

The idea of creating a “trust fund” for saving state general funds is a new and controversial approach to smoothing the excesses of fiscal swings. True, the idea seems contrary to a state appropriations process where the political priority is to spend all funds annually or return them to the citizens as tax relief. Higher education leaders are concerned that, without proper controls, the suggested approach might sequester their appropriations without really securing them. Later, they fear, the state government would seize the funds for purposes other than higher education. Certainly, the history of funds that are set aside with good intentions, but only statutorily protected, provides good reason for concerns.

Special funds, however, can be protected by legal devices that are not easily circumvented: examples include the vesting of benefits in retirement accounts and provisions protecting dedicated funds established in Proposition 99 (1988) and Proposition 111 (1990). Certainly, the trust fund would have to be established in conjunction with the following protections:

- The state general funds which are the source of trust fund revenue must be appropriated each year to each segment and so become “vested” with them.
 - The funds must be held in an interest bearing account in the state treasury with strict fiduciary controls, and
 - The state government must adhere to the annual appropriation stabilization approach by appropriation annually to the University of California and the California State University no less than the percentage of total General Funds that was appropriated to each of these segments in the prior year. In this way, the Opportunity funds are not used to supplant the state’s on-going obligation.
- A Recommendation presented by the Career Preparation and Business Linkage Working Group⁴⁴

“Our ideas are based on a few assumptions:

1. Public organizations are responsive...particularly to financial incentives.
2. Paying the public system based principally on enrollments has generated large numbers of enrollments and high levels of access...but not high performance by other measures (Partnership Agreements are widely skewed toward process and away from performance).
3. Programs that claim to have an impact on students’ success in the labor market should be held accountable—to some degree—for the labor market success of their students.
4. Public accountability for performance is a powerful method for shaping institutional behavior.
5. Incentives rather than regulation or traditional manpower planning models are the best way to align institutions with the labor market. ...
6. Because of the law of unintended consequences, incentive systems must be used cautiously. ...

Recommendation:

Create a performance-driven system, which benefits students and aligns career preparation programs throughout the system with the labor market.

Identify the key mission-related outcomes the system should produce:

⁴⁴ This was presented to the Finance and Facilities workgroup during its meeting on November 27, 2001. Members of our workgroup did not concur with most aspects of this proposal.

- Graduation rate
 - Time to graduation
 - Employment in related occupations
 - Earnings
2. Create measures for these outcomes that cut across programs, institutions, and systems ...
 3. Make accountability for these outcomes highly visible and public
 4. Provide significant financial incentives tied to outcomes.

Once a performance measurement system is in place, create financial incentives which are relatively stable over time to drive performance, i.e., instead of tying all marginal funding to FTES, tie some portion of it—10% to 25% to the number of graduates (computer science, architecture, etc.).

Provide incentives for increasing graduates in high cost fields that are key to the economy, such as computer science.

Data on labor market performance will drive enrollments and hence resources to the most successful institutions.”

APPENDIX C - The Current Status and Measures in the “Partnership” with the University of California and the California State University

University of California

Progress on Accountability Measures 2001-02

- UC continues to admit all eligible applicants who wish to attend. UC has exceeded budgeted enrollment levels each year of the Partnership.
- Graduate enrollments at UC have increased by nearly 3,000 students over the last three years – as much as these enrollments grew over the previous 25 years.
- This is the seventh consecutive year without a systemwide fee increase for UC students. In 1998-99 and again in 1999-2000, fees for resident undergraduates were reduced 5%. Annual student fees at UC are now more than \$1,000 below the average of our public comparison institutions.
- UC students continue to receive more than \$1 billion a year in financial aid, more than half of it in the form of gift aid.
- The University has implemented a new path to eligibility that opens UC’s doors to the top 4% of students in each California high school. Preliminary data indicate that the ELC program generated 2,100 additional applications to UC this year from students who otherwise might not have applied – half of them from underrepresented minorities and one-fifth from students who live in rural areas of California. All ELC-eligible students who applied to the University were guaranteed a space in the UC system.
- The Partnership specifies an increase in community college transfers of 6% per year, from 10,150 in 1998-99 to 15,300 in 2005-06. Over the last two years, full-year transfer enrollment growth has averaged 5.2% annually – very near the Partnership goal – and last year UC enrolled more than 11,000 new community college transfer students for the first time in its history.
- The University has honored its commitment to maintain the agreed-upon 6.7% increase in faculty teaching workload and has continued to provide the classes that students need to graduate in a timely manner.
- Average time to degree for undergraduates who entered in 1993 is now 13 quarters, down from 13.4 quarters for students who entered in 1984. Of the freshmen who entered UC in 1994, 36% graduated in four years, 69% in five years, and 77% in six years. These rates are an improvement over 10 years ago, when the four-year rate was 31%, the five-year rate was 67%, and the six-year rate was 73%.
- UC has created four institutes pursuing cutting-edge research in fields that will be critical to the future of the state’s economy by bringing together university researchers and private-sector partners to push the boundaries of knowledge, maintain California’s economic leadership, and create jobs for the state’s growing population. While the Institutes are expected to provide non-State matching funds at a 2:1 ratio, they expect to do so at a level of 3:1.
- Planning for the University’s 10th campus at Merced remains on track for enrolling the first UC Merced students in 2004. In the meantime, the campus has established a system of distributed learning centers in conjunction with local community colleges at three locations: Fresno, Merced, and Bakersfield; a fourth is planned for Modesto. Central Valley outreach programs developed by the campus have led to a 69% increase (817 students) between 1990 and 2000 in the number of freshmen students enrolled in UC from Central Valley high schools.

(UC continued)

- The Partnership called for the University to seek to increase its share of federal research and development dollars to help maintain high-quality programs. Federal funding for UC research has increased by an annual average of 9% over the last three years.
- Similarly, the University has met with great success in securing private support to supplement State funding, raising \$1.2 billion in 1999-2000 – the first year ever over \$1 billion – and exceeding \$1 billion again in the fiscal year that ended June 30, 2001.
- UC will meet its goal in 2001-02 to increase engineering and computer science enrollments by 50%, from 16,000 to 24,000 students – four years ahead of schedule. The University is assessing industry demand to determine if continuing this strategy beyond the original goals that were outlined is necessary to continue helping meet state workforce needs.
- As specified in the Partnership, UC embarked on a multi-year plan to more than double the number of education credential students – from 1,000 in 1998-99 to 1,800 this year and to 2,300 by 2002-03. UC is meeting this goal.
- The UC-administered professional development summer and intersession institutes for teachers of reading, mathematics and English language development are now reaching more than 70,000 educators each year. The professional development provided by these programs will help maximize the performance of California students in core academic areas.
- The Governor's Teacher Scholars Program offers a teaching credential and a master's degree to participants who agree to teach in a low-performing school for at least four years. The first year saw 200 students enroll, building toward an ultimate enrollment of 400 annually by 2003-04.
- The University has developed the Governor's Principal Leadership Institutes, a two-year master's degree program at the Berkeley and Los Angeles campuses to help meet the state's demand for talented, highly trained school principals. Participants in the program receive full scholarships in return for the commitment to serve four years as a principal, vice principal, or in another administrative role at a public elementary or secondary school. In 2001-02, the enrollment is estimated to be more than 100 FTE students, and when fully operational in 2003-04, the two-year program will serve a total of 400 FTE students.
- The Governor and the Legislature provided funds in 2001-02 for the first State-supported summer terms at the Berkeley, Los Angeles, and Santa Barbara campuses; funds to reduce student fees at all campuses in the summer to the level of the rest of the year were provided in 2000-01. As a result, summer enrollments increased substantially this year, enhancing UC's ability to plan for and accommodate the 211,000 students expected to enroll by 2010. The three campuses enrolled 9,615 FTE students in summer 2001, an increase of 2,800 FTE over the previous summer. Those campuses increased the number of classes they provided by 28% and the number of regular-rank faculty and lecturers who were assigned to teach by 27% over summer 2000. They also provided nearly \$4.4 million in student financial aid that was not available in previous summers.

California State University

Progress on Accountability Measures 2001-02

- CSU continues to admit all eligible applicants who wish to attend.
- In 2000-01 the CSU admitted 66,471 of the 88,548 first-time freshmen that applied.
- The numbers of elementary, middle and high school students participating in CSU outreach, academic preparation, and K-12 collaboration programs was 459,056.
- A total of 2,058 CSU students served as tutors in the Precollegiate Academic Development Program. An additional 4,127 CSU students also served as tutors in the Educational Opportunity Grant Program, College Readiness Program, Summer Bridge, MESA, Upward Bound, Talent Search, Collaborative Academic Preparation Initiative, and other campus academic development programs.
- After several years of decline, the percentage of freshmen proficient in English and in mathematics has improved for the last three years. In addition, 97% of CSU Fall 1999 freshmen who returned in the fall of 2000 were proficient in both mathematics and English, an increase of 3% over the prior year.
- In 1999-2000, the CSU recommended 8,605 Multiple Subject and Single Subject First Time/New Type Credentials. A total of 6,081 were Multiple Subject Credentials and 2,534 were Single Subject Credentials. In addition, 1,253 First Time/New Type Educations Specialist Credentials (special education) were issued to CSU applicants. The number of Education Specialist Credentials issued by the CSU in 1999-2000 is more than twice the combined production of the UC and independent colleges (21 from the UC and 521 from the independents. This data will serve as the baseline against which future years' performance will be measured since new methods were agreed upon by the CSU and the California Commission on Teacher Credentialing (CCTC).
- The CSU is credited with 3,847 (50%) of the total number of students participating in pre-internships. These are emergency permit teachers who are taking subject matter coursework and are not yet admitted to teacher preparation programs.
- Calstate TEACH and 19 campuses participate in internship programs, including 430 campus-district partnership agreements with 3,600 enrolled students in Multiple Subject, Single Subject, and Education Specialist Credential (Special Education) programs. CSU Internships constitute 61% of California's Multiple Subject Internship Credential students in university-based programs, 75% of Single Subject Credential students, and 86% of Special Education Credential students.
- The CSU Teacher Preparation Program continues to collaborate with K-12 schools. In addition to the districts participating in Internship Credential agreements with the CSU, 13 campuses continue to support Teacher-in-Residence programs, and all campuses participate in district teacher induction programs, Beginning Teacher Support and Assessment (BTSA) programs, and employment of K-12 personnel as adjunct faculty.
- The California Commission on Teacher Credentialing (CCTC) reported pass rates in Fall 2001 for the Reading Instruction Competency Assessment (RICA), by campus, for AY 1999-2000. Twenty of the 21 CSU campuses exceed the 2003 goal of a 90% student pass rate. The remaining campus had a pass rate of 89%. With eight of the 21 CSU campuses below a 90% rate in the previous year, there has been significant improvement over the reporting period.

(CSU continued)

- The CSU will continue to work with the CCTC in the development of the measurement process and assessment instrument, as well as a standard for campus success in terms of candidate pass rates.
- The Partnership called for implementing Teaching Improvement Initiatives. The CSU is working in partnership with the UC and will include information when the report is completed by the contractor and released by the University of California in July 2002. The CSU expects that target estimates of teachers served will be met.
- For 2001-02, state funding was increased to allow 6,621 K-12 teachers and administrators to enroll in the Educational Technology Professional Development Program. During Summer 2000 more than 5,000 K-12 teachers were enrolled in 28 local project sites hosted by 18 CSU campuses, three UC campuses, and one independent college.
- The Partnership specifies an increase in community college transfers of 5% per year. In 2000-01 the CSU had an increase of 8% (43,160 enrolled transfer students) over the number of transfer students as reported to the California Postsecondary Education Commission.
- In 2000-01, seven faculty-driven lower-division core alignment projects were initiated, two more than called for in the partnership agreement. An eighth discipline of history was added during Summer 2001. Including the regional alignment project in the Los Angeles basin, CSU is well on its way to fulfilling its commitment to increase the number of majors having common lower-division core requirements by 5 per year over the next four years.
- The dual admission program under development between the CSU and the California Community Colleges will provide, among other services, academic advisement, development of an education transfer plan, and cross enrollment opportunities. The CSU will continue to work toward increasing transfer agreements and the number of students to whom dual admission services will be offered; our success will depend on the resources allocated in support of this program.
- Since 1996-97, the CSU's funding commitment to plant maintenance has provided \$63.4 million to eliminate the annual shortfall in maintenance costs. During this partnership period, the CSU will reconfirm the appropriateness of the identified standards and may consider adjusting the maintenance costs per square foot.
- The CSU continues to work toward reducing its deferred maintenance backlog. Campuses have been allocated \$2.8 million per year for long-term deferred maintenance.
- The total core deficiency in library materials has been estimated at approximately \$90 million. CSU instructional equipment has annual depreciation replacement costs that average roughly \$35 million each year. For the 2000/01 fiscal year, the CSU received \$3 million that was applied toward these deficiencies. This effort will be supplemented by a one-time lottery fund allocation of \$4 million to further reduce the deficiencies.
- Sixteen of 21 campuses now offer YRO state-supported summer instruction. Seven campuses plan to convert fully in Summer 2002, assuming budget support is provided to convert the 1,923 annualized FTES currently provided for matriculated students through summer self-support instruction.
- Between May 2000 and April 2001 (the time period for which we counted discontinuations for the partnership report), three degree programs were discontinued and 11 concentrations or options were discontinued or consolidated. During the same time period, the CSU also approved 12 new degree programs and initiate 2 pilot degree programs.

(CSU continued)

- At its July 2000 meeting, the CSU Board of Trustees approved a change to Title 5 that reduced the minimum total units required for a bachelor's degree to 120 semester units (180 quarter units). Added to Title 5 was a provision requiring each campus to establish and maintain a monitoring system to ensure that justification is provided for all program requirements that extend the baccalaureate unit requirement beyond 120 units.
- For each of the last several years, CSU faculty salaries have increased at a rate higher than those of the comparison institutions, thus decreasing the difference between CSU faculty salaries and salaries at the comparison institutions. However, the 2% compensation increase pool budgeted for 2001 may be less than the average salary increases for the comparison institutions. It continues to be the policy of the CSU Trustees that merit pay should be one instrument to help take the CSU to the next level of quality by providing financial rewards to faculty considered outstanding by their peers. The collective bargaining agreement between the CSU and CFA has included a merit pay program since 1995.
- During the 2000-2001 academic year, 327 courses with new service-learning components were created across 22 campuses (107 courses above our commitment of 22). These courses will be offered during the 2001-2002 academic year, providing new opportunities for over 12,000 additional students to participate in service learning. Service-learning offices were created or strengthened on each CSU campus to ensure sustainability of service learning. Finally, systems have been developed and are currently being implemented to track, on an annual basis, the number of students participating in service learning and community service.

CSU Accountability Report Structure

The CSU indicators are arranged into five categories as follows:

Improving Access and the Transition to High School and College

1. Improving Access to the CSU
2. Improving Student Preparation
3. Improving Proficiency of First-Time Freshmen

Improving the Quality of Teacher Preparation and Demand

4. Increasing Credentialed Teachers
5. Improving the Quality of Teacher Education
6. Increasing Teacher Credentialing Requirements Pass Rates
7. Implementing Teaching Improvement Initiatives
8. Expanding the Use of Technology By Teachers

Improving Transfer and Articulation

9. Increasing CCC Transfer Enrollments
10. Increasing Common Course Requirements
11. Increasing CCC Course Transfer Rates
12. Developing Transfer Agreements

Improving Institutional Productivity and Efficiency

13. Reducing Structural Deficits
14. Shifting to Year Round Operations
15. Reviewing Program Offerings
16. Streamlining Graduation Unit Requirements
17. Closing the Faculty Salary Gap

Improving the Academic Experience

18. Increasing Community Service Learning

CSU Accountability Measures

Indicator 1: Improving Access to the CSU

Objective	Indicator	Performance Data
Ensure access under the Master Plan for all Californians.	Accept all eligible California high school graduates who wish to attend the CSU.	<ul style="list-style-type: none"> Admit all eligible students who seek CSU access.

Indicator 2: Improving Student Preparation

Objective	Indicator	Performance Data
Assume greater responsibility in working with K-12 schools towards improving student performance.	Expand current efforts to (1) inform high schools and California Community Colleges (CCC) about student performance by working with those institutions, (2) develop early intervention programs for students who need assistance with high school graduation standards, and (3) use CSU students to tutor and mentor K-12 students.	
	Demonstrate greater educational achievements over prior years in high schools where CSU outreach, academic preparation, and K-12 collaboration is operational.	<ul style="list-style-type: none"> Increase the numbers of students participating in CSU outreach, academic preparation, and K-12 collaboration programs in direct proportion to increased funding for these programs.

Indicator 3: Improving Proficiency of First-Time Freshmen

Objective	Indicator	Performance Data
Assume greater responsibility in working with K-12 schools toward improving student performance.	Improve the percentage of regularly eligible students who are fully prepared in math and English composition.	<ul style="list-style-type: none"> By 2007, increase to 90% the percentage of incoming freshman proficient in English and math.

Indicator 4: Increasing Credentialed Teachers

Objective	Indicator	Performance Data
Increase the number of qualified teachers that the CSU graduates.	Increase the total number of first time and new type teacher credentials recommended. Increase the number of teachers qualified to teach mathematics and science.	<ul style="list-style-type: none"> Increase the number of first time and new type teacher credentials offered to 14,000 by 2002-2003.

Indicator 5: Improving the Quality of Teacher Education

Objective	Indicator	Performance Data
Improve the quality of CSU teacher education	Implement teacher preparation reforms consistent with SB 2042 and California Commission on Teacher Credentialing (CCTC) standards in at least the following areas:	<ul style="list-style-type: none"> Provide an annual progress report on the extent to which reforms have been implemented
	5.1. provision of pre-internship, internship, other credential, and integrated undergraduate programs	
	5.2. curriculum aligned with standards for the teaching profession and with curriculum and performance standards for K-12 students	
	5.3. participation in individual candidate assessment programs for teachers and subject matter content preparation and pedagogy	
	5.4. collaboration between the CSU and K-12 schools	

Indicator 6: Increasing Credentialing Requirements Pass Rates

Objective	Indicator	Performance Data
Improve the quality of CSU teacher education.	Increase the number of enrolling students who complete credential requirements.	<ul style="list-style-type: none"> Increase the campus passage rates of CSU graduates on the Reading Instruction Competency Assessment (RICA) examination to at least 90% by 2003. Establish a success rate standard and measurement process for CSU students on individual candidate assessments once the CTC publishes those assessments.

Indicator 7: Implementing Teaching Improvement Initiatives

Objective	Indicator	Performance Data
Improve the quality of CSU teacher education.	In cooperation with UC and private institutions, expand the California Subject Matter Projects to 200 sites serving 35,000 K-12 teachers through institutes and other activities aimed at improving participants' content knowledge and pedagogical practice in nine core areas of the K-12 curriculum.	<ul style="list-style-type: none"> Provide the results of the four-year independent evaluation of CSMPs consistent with AB 1734 (Mazzoni) due to the State Board of Education, the Governor, and the Legislature by July 1, 2002.
In cooperation with UC and private institutions, implement the Governor's Professional Reading Development Institutes to provide professional training for 20,000 teachers in grades K-3 in Reading.	<ul style="list-style-type: none"> Cooperate with the UC administered evaluation of the Governor's Professional Reading Development Institutes. 	
In cooperation with UC and private institutions, implement English Language Development Institutes to provide professional training for 5,000 English language learner teaching in grades 4-8 and 5,000 English language learner teachers in grades 9-12.	<ul style="list-style-type: none"> Cooperate with the UC administered evaluation of the English Language Development Institutes. 	
In cooperation with UC and private institutions, implement Algebra Institutes to provide professional training for 2,500 teachers in grades 7-10 in Algebra.	<ul style="list-style-type: none"> Cooperate with the UC administered evaluation of the Algebra Institutes. 	
In cooperation with UC and private institutions, implement Mathematics Specialist Institutes in grades 4-6 to assume leadership roles within their schools to improve the instruction of Math.	<ul style="list-style-type: none"> Cooperate with the UC administered evaluation of the Mathematics Specialist Institutes. 	
In cooperation with UC and private institutions, implement High School Mathematics Institutes to provide professional training for 8,000 high school teachers in Math.	<ul style="list-style-type: none"> Cooperate with the UC administered evaluation of the High School Mathematics Institutes. 	
In cooperation with UC and private institutions, implement High School English Institutes to provide professional training for 12,000 high schools teachers in English.	<ul style="list-style-type: none"> Cooperate with the UC administered evaluation of the High School English Institutes. 	

In cooperation with UC and private institutions, implement the Pre-Algebra and Algebra Academies to provide professional training for 1,000 teachers in grades 4-8 linked with summer school instruction for K-12 students in Pre-Algebra and Algebra.	<ul style="list-style-type: none"> Cooperate with the UC administered evaluation of the Pre-Algebra and Algebra Academies.
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Indicator 8: Expanding the Use of Technology By Teachers

Objective	Indicator	Performance Data
Improve the ability of K-12 teachers to use technology.	Expand education technology professional development opportunities through the California Technology Assistance Project (CTAP).	<ul style="list-style-type: none"> By the end of Summer 2000, train 5,000 K-12 teachers during the first phase of the Education Technology Professional Development Program to integrate technology into their teaching and curriculum.

Indicator 9: Increasing CCC Transfer Enrollments

Objective	Indicator	Performance Data
Accommodate all CCC transfers who are fully qualified and seek access to CSU.	Enroll all fully qualified, upper-division CCC transfer students in accordance with the CCC/CSU MOU. Under the terms of the MOU, the CCC intends to increase the number of these students by 5% per year.	<ul style="list-style-type: none"> Accept, on an ongoing basis, all fully qualified CCC students who apply to the CSU.

Indicator 10: Increasing Common Course Requirements

Objective	Indicator	Performance Data
Expand course transferability.	Develop and maintain common lower-division course requirements across CSU institutions.	<ul style="list-style-type: none"> Increase the number of majors having common lower-division core requirements by 5 per year over the next four years.
	Develop and maintain systemwide agreements between the CSU, UC and CCC on lower-division course requirements for 20 high-demand majors.	<ul style="list-style-type: none"> Report on the progress made in developing agreements for high-demand majors

Indicator 11: Increasing CCC Course Transfer Rates

Objective	Indicator	Performance Data
Expand course transferability.	Increase the number of CCC transfer students who complete all CSU general education requirements before transferring by using the CSU/CCC transfer certification process or the Intersegmental General Education Transfer Curriculum (IGETC).	

Indicator 12: Developing Transfer Agreements

Objective	Indicator	Performance Data
Expand course transferability.	Ensure that transfer students are taking the appropriate required courses and will receive credit for classes they have taken by developing agreements with the UC and the CCC. This can be accomplished by September 2001 in a number of ways, including Articulation System Stimulating Inter-institutional Student Transfer (ASSIST), a common course numbering system, or IGETC.	<ul style="list-style-type: none">• Complete a set of transfer agreements with feeder institutions.• Complete a set of transfer agreements among CSU campuses.

Indicator 13: Reducing Structural Deficits

Objective	Indicator	Performance Data
Using resources provided under this Partnership, satisfy our core mission within Master Plan guidelines	<p><i>Commit 1% annual increase in Partnership resources to ongoing maintenance, instructional equipment, library materials, and technology</i></p> <p>Commit approximately 50% of State capital outlay dollars to address seismic, life-safety, capital renewal, and modernization needs of existing facilities; and about 50% to support enrollment-growth related projects</p>	<ul style="list-style-type: none"> • Satisfy ongoing maintenance needs using identified standards by the end of the Partnership period. • Reduce, on a net basis annually, the total CSU deferred maintenance backlog after offsets for any shortfall in ongoing maintenance funding • Report progress in eliminating identified structural deficiencies for library materials and instructional equipment • Increase basic technology access, training and support linked to the CSU Technology Plan for improvements in instructional delivery and student academic achievement

Indicator 14: Shifting to Year Round Operations

Objective	Indicator	Performance Data
Make more effective use of existing facilities to accommodate enrollment demands and to help alleviate enrollment pressure during the regular academic year.	Reach agreement with the administration and the Legislature on a plan for phasing in implementation of a state-supported summer term on a campus-by-campus basis. If agreement reached, beginning Summer 2001 implement summer term. The phasing plan should be based on the assumption that fees, financial aid, and the quality of programs should be similar to that offered during the regular academic year.	<ul style="list-style-type: none"> • Include phasing plan in final agreement on budget for 2000-01. • Provide an annual progress report on implementation of year-around operations.
	Examine incentives that might encourage more students to attend classes in the summer and more faculty to teach in the summer.	<ul style="list-style-type: none"> • Report on incentives to encourage more students to attend classes in the summer and more faculty to teach in the summer.

Indicator 15: Reviewing Program Offerings

Objective	Indicator	Performance Data
Increase program efficiency.	Conduct comprehensive program reviews to consolidate and simplify CSU program offerings.	<ul style="list-style-type: none"> Report on number of programs reviewed.

Indicator 16: Streamlining Graduation Unit Requirements

Objective	Indicator	Performance Data
Increase program efficiency.	Review all CSU degree requirements to ensure that students have the option to complete degrees in four years, and seek to change Title 5 graduation requirements from 124 to 120 hours.	<ul style="list-style-type: none"> Report on number of degree programs reviewed and progress in changing Title 5 graduation requirements.

Indicator 17: Closing the Faculty Salary Gap

Objective	Indicator	Performance Data
Provide competitive faculty salaries that are increased based on merit, subject to collective bargaining.	Provide faculty salaries that are judged competitive using CPEC's methodology.	<ul style="list-style-type: none"> Provide an annual report to CPEC on faculty salaries
Increase emphasis on merit-based pay.	Continue to emphasize merit-based pay to reward the most outstanding faculty.	

Indicator 18: Increasing Community Service Learning

Objective	Indicator	Performance Data
Provide opportunities for all students to participate in community service or service learning.	Increase the number of CSU students who engage in community service or complete a service learning experience.	<ul style="list-style-type: none"> Increase student participation in community service and service learning based on funding provided.